

STATE OF WISCONSIN  
DEPARTMENT OF HEALTH AND FAMILY SERVICES  
DIVISION OF MANAGEMENT & TECHNOLOGY  
BUREAU OF FISCAL SERVICES

ACCOUNTING PROCEDURE

TOPIC: Section 8--Capital Assets 1.01	EFFECTIVE DATE: 3/28/01
TITLE: Accounting Procedures for Capital Assets (Cost \$5,000 and over)	REVISION DATE: 9/24/04
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**POLICY**

This accounting policy explains the requirements for recording capital assets.

**PROCEDURES (Capital Assets -- \$5,000.00 and Over)**

**A. Definition of a Capital Asset**

An asset is defined as a capital asset (buildings, equipment, etc.) if it meets the following criteria:

- The asset has an acquisition cost of \$5,000 or more
- The asset has a useful life of two years or more

**B. Attributes for Capital Assets**

The following are the required attributes needed to complete the Capital Asset records:

- |                             |                     |
|-----------------------------|---------------------|
| a. Asset ID                 | j. Amount           |
| b. Asset Description        | k. Organization     |
| c. In-Service               | l. Location Code    |
| Date/Acquisition Date       | m. Floor*           |
| d. How Asset was Acquired   | n. AHA Table (DDES  |
| e. Asset Type               | Organizations Only) |
| f. Appropriation            | o. Life             |
| g. Account Class            | p. Serial Number*   |
| h. Project                  | q. Manufacturer*    |
| i. RA (Responsibility Area) | r. Model Number*    |

\* If Applicable

See [Section 8--Capital Assets 4.0](#) (Year-End Capital Asset Reporting) for recording and changing the attributes in the Microsoft Access Capital Asset System.

**C. Entry of Capital Assets into RMS**

Attributes for capital (Information Technology) IT assets are the same as for non-capital IT assets. See [Section 8–Capital Assets 1.03](#) (Accounting Procedures for IT Assets).

**D. Capital Account Codes**

Refer to [Section 8–Capital Assets 1.1](#) (Use of Capital Account Codes) for the use of capital account codes.

**E. Useful Lives and Depreciation**

Division of Disability and Elder Services (DDES) Organizations  
DDES Organizations **MUST** use the *Estimated Useful Lives of Depreciable Hospital Assets* (AHA Guidelines) as their industry standard. In addition, DDES Organizations must categorize their assets in accordance with the AHA Guidelines. The AHA Guidelines are **not** included in this APP. DDES Organizations will need to purchase a copy of these Guidelines.

The following table is a guideline for asset type and AHA table:

<u>Type of Capital Assets</u>	<u>AHA Table</u>
Land	0 - Not depreciated
Land Improvements	1
Buildings	2
Building Improvements	3, 4, or 5
Equipment	6, 7, 8, or 9
Furniture	6, 7, or 9
Vehicles	9
Capital Lease - Equipment	6, 7, 8, or 9

**Non-DDES Organizations**

The facts and circumstances of the Asset's use should determine useful lives. Organizations may select, where justification exists, useful lives to comply with particular industry standards or federal requirements. The following useful lives of capital assets are presented as a general guide:

<u>Type of Capital Assets</u>	<u>Useful Life</u>
Land	not depreciated
Land Improvements	10 years
Buildings	40 years
Fixed Equipment	15 years
Major Movable Equipment	15 years
Office Equipment	5 years
Vehicles	4 years
IT Equipment	3 years

**F. Depreciation**

Bureau of Fiscal Services (BFS) Special Services & Financial Statements (SSFS) is responsible for calculating depreciation. Depreciation expense must be calculated for all Department of Health and Family Services (DHFS) capital assets. The depreciation expense figure is included in the Comprehensive Annual Financial Report (CAFR) published by the Department of Administration, and the cost reports filed on behalf of various DDES organizations.

The straight-line depreciation method is to be used (an equal amount of the capital assets' acquisition cost is expensed each year of its useful life). The salvage value of all assets should be set at zero. The term "Accumulated Depreciation" is used to indicate the total depreciation expense that has accumulated from the time of acquisition to the present time.

A full year's depreciation cannot be claimed for a new asset placed in service during the year or an asset sold during the year. The amount of depreciation claimed in the first year will be based on the acquisition date. The depreciation claimed in the final year will be based on the disposal date. Building components may be depreciated separately with appropriate useful lives.

#### **G. Configurations**

In the year of purchase, DHFS Organizations must capitalize all components of equipment in a configuration even if purchased separately for less than \$5,000 per unit.

In subsequent years, additions to an existing configuration or individual item of equipment do not need to be capitalized unless the per unit acquisition cost of the addition is \$5,000 or more. See [Section 8–Capital Assets 1.1](#) (Use of Capital Account Codes).

#### **H. Fully Depreciated Assets**

Assets that are still in use but have been fully depreciated will be reflected on capital asset records at historical cost and assigned a net book value of zero to indicate the asset is still in use beyond its depreciable life. Assets must not be taken off the capital asset listing until disposal.

#### **I. Asset Transfers Between other Agencies**

Assets that are transferred from other agencies should be reflected on the capital asset records at the net value (acquisition cost less accumulated depreciation). If this value cannot be obtained, the historical costs must be estimated if the item has a useful life of one year or more, or has an estimated historical cost of \$5,000 or more. The depreciable life for the new owner is the remaining depreciable life that the former owner had.

The Asset Transfer (DMT-476) (Attachment 1) must be completed when assets are transferred from one agency to another. The applicable forms for recording the capital assets as per [Section 8–Capital Assets 4.0](#) (Year-End Capital Asset Reporting) must also be completed.

#### **J. Transfer Between Organizations**

Divisions may transfer equipment to each other. The inventory value in the new organization shall be the same as in the old organization (original acquisition cost minus accumulated depreciation). The depreciable life for the new owner is the remaining depreciable life that the former owner had.

**K. Federal Funds**

If an asset is purchased with federal funds, the safekeeping and disposal of the asset must be handled in accordance with federal requirements. See [Section 8-Capital Assets 5.0](#) (Disposition of State-Owned Equipment) for guidelines for disposal of assets purchased with Federal Funds.

**L. Identifying Assets**

Assets should be tagged with identifying numbers where feasible. Obvious exceptions include assets such as buildings. IT assets must have a bar code and serial number. The bar code is the key to the asset in Service Center - Resource Management System (RMS). Computer Software must be assigned a bar code and the bar code sticker kept with the purchase authorization. If conditions warrant, the tag number should be engraved onto the surface of the asset. The asset number should be the tag number for non-IT assets and the bar code for all IT assets.

**M. Capital Leases**

Capital Leases or installment purchases of equipment are to be capitalized in the year of acquisition. The amount to be capitalized is the cost of the asset. Interest should not be capitalized. See [Section 8-Capital Assets 3.0](#) (Capital and Operating Leases) for additional information on leases.

**N. Surplus Assets**

When an asset is no longer needed by an agency and will not be replaced or used for trade-in-credit, it then becomes surplus and is disposed as surplus. The item is removed from the inventory, and the proceeds (if any) should be deposited into the Budget Stabilization Fund in accordance with the 2003-2005 Wisconsin State Budget, Act 33. See [Section 8-Capital Assets 5.0](#) (Disposition of State-Owned Equipment) for specifics on disposing of State-Owned Surplus assets.

**O. Trade-Ins**

The asset cost of assets that have a trade-in is the fair market value of the asset. Assets that are traded-in should use the cash discount as the fair market value for calculating a gain/loss.

DHFS organizations should complete the proper forms ([See Section 8-Capital Assets 4.0](#) (Year-End Capital Asset Reporting) and send them to BFS/SSFS along with the backup information regarding the trade-in.

**P. Fund 490/495 Projects**

Assets acquired through fund 490/495 projects should be recorded with appropriation 'AGF' and include the 5-digit project number in the description line. See [Section 8-Capital Assets 2.1](#) (Capitalization of Fund 490/495 Capital Projects (Construction Projects)).

**Q. Risk Management Insurance**

For risk management and property control purposes, a permanent record of all items classified as capital expenditures or major materials and

supplies is required. These records form the basis for the Annual Property Coverage Report.

**R. Other Items**

Conflict of interest and related provisions must be followed, refer to [Section 1–Business Standards 2.0](#) (Standards of Business Conduct).

Controls over cash handling, including separation of duties and timely depositing must be followed, refer to [Section 2–Cash and Check Handling 1.0](#) (Handling of Cash Receipts).

**ATTACHMENTS**

1. Asset Transfer (DMT-476) <http://www.dhfs.state.wi.us/forms/DMT/dmt0476.doc>

**REFERENCES**

[DHFS APP Section 1–Business Standards 2.0](#) (Standards of Business Conduct)  
[DHFS APP Section 2–Cash and Check Handling 1.0](#) (Handling of Cash Receipts)  
[DHFS APP Section 8–Capital Assets 1.03](#) (Accounting Procedures for IT Assets)  
[DHFS APP Section 8–Capital Assets 1.1](#) (Use of Capital Account Codes)  
[DHFS APP Section 8–Capital Assets 2.1](#) (Capitalization of Fund 490/495 Capital Projects (Construction Projects))  
[DHFS APP Section 8–Capital Assets 3.0](#) (Capital and Operating Leases)  
[DHFS APP Section 8–Capital Assets 4.0](#) (Year-End Capital Asset Reporting)  
[DHFS APP Section 8–Capital Assets 5.0](#) (Disposition of State-Owned Equipment)

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ASSET TRANSFER

<b>TRANSFERRING AGENCY</b>		<b>RECEIVING AGENCY</b>	
Division	Bureau / Office / Institution	Division	Bureau / Office / Institution
Location		Location	
Authorized By – Name	Date Authorized	Received By – Name	Date Received
Comments / Other (Percentage of federal funds and grant numbers)			

INVENTORY DESCRIPTION OF ITEMS TRANSFERRED

Asset Category	Asset Number	Serial Number	Deprc Life	Description	Acquisition Date	Asset Cost	Accumulated Depreciation*	Net Book Value*

\* For accumulated depreciation / net value of capital assets contact DMT / BFS / SSFS.

**DISTRIBUTION:** Original and 1<sup>st</sup> Copy - Send to Receiving Agency  
Receiving Agency verifies data, signs and send original form to DMT / BFS / SSFS  
Receiving Agency Retain 1<sup>st</sup> Copy  
2<sup>nd</sup> Copy - Retained by Transferring Agency